To Study the Impact of Buy Now Pay Later(BNPL) Services in Online Shopping on Consumer Behaviour in Delhi NCR

Synopsis

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Introduction

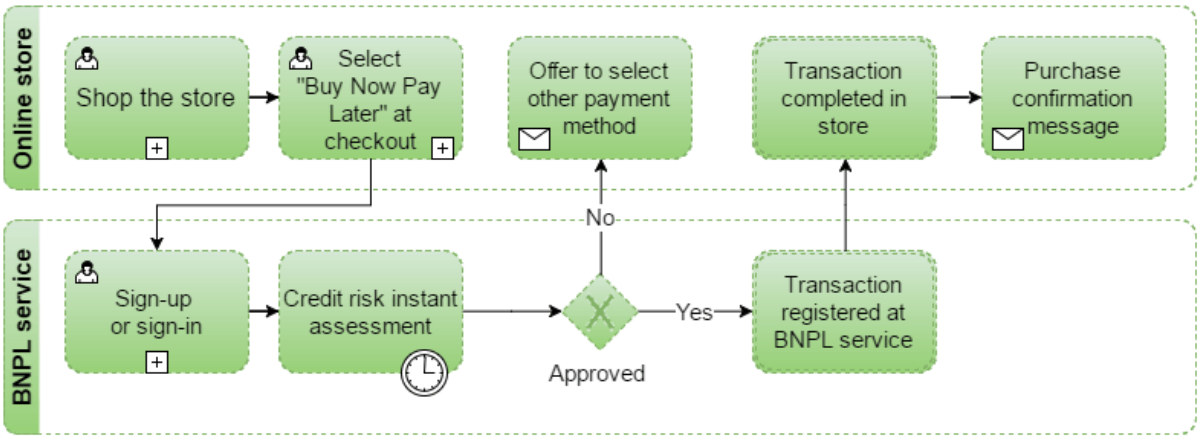
Nowadays as consumers are more inclined towards online shopping due to ease of delivery, payment modes and exchange options with this BNPL services are also came into trend and attracts more consumers towards online shopping platform.

Pay Later is a type of short-term financing service that allows consumers to make purchases and pay for them at a future date, often interest-free.

Also referred to as point-of-sale installment loans, Pay later arrangements are becoming an increasingly popular payment option, especially in online shopping.

Key players: Zest Money, simple, Lazy Pay, Amazon Pay, PaytmPostpaid, Flex money, Ola pay later , After pay, Razor, flipcart pay later etc.

Buy Now Pay Later (BNPL) solutions high level diagam



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BNPL also known as Buy Now Pay Later is a payment option where you can make a purchase without having to pay from your own pocket. Generally, you sign up with a company providing this facility who makes the payment when you make the purchase.

However, once the lender pays on your behalf, you will have to repay the amount within a stipulated time period. In BNPL scheme no interest is levied. You can

either pay it as a lumpsum amount, or you can pay it via no cost Equated Monthly Instalments (EMIs). If you fail to pay the amount within the given repayment tenure, then the lender will be liable to charge you interest on your amount. Further delay could impact your credit score severely.

ECONOMICS OF BNPL BUSINESS

BNPL Profits = GMV * [Net Take Rate –Debt financing cost –Debt management cost –Provision for Debt impairment] -Marketing & Sales expenses –General & admin expenses

Net Take Rate: Commission charged to merchants (take rate) -processing fees paid by BNPL Co.

Debt financing cost: interest BNPL providers pay banks for liquidity

Debt management cost: Credit check cost + payment collection cost –late payments collected from customers

Provision for debt impairment: weighted average % of loans that are not paid back

GMV (Gross Merchandising Value): Sum of all the payments conducted on the BNPL platform.

Marketing and sales: Expenses incurred on acquiring and onboarding both merchants and customers

General and administrative expenses: Team salaries, technology, and infrastructure costs.

Objectives of the study

During pandemic consumer trends has changed towards life style, eating habits and same with shopping whether it is online or offline.

Nowadays mostly consumers from urban lifestyle prefer online shopping as it offers various features and among them several options for payment could be consider as one of the major reason of this trend.

With increasing options in payment online shopping has now became the preference of consumers.

Among the payment related features the one which is very much responsible for consumer attraction is BNPL services.

Through this study we can understand the change and pattern of trends in online shopping.

Other objectives of this research study are:

- To study the factors affecting BNPL Services.
- To analyse the changes in consumer behaviour due to BNPL Services.
- To analyse the key players of BNPL Services.
- To learn about the awareness of BNPL Applications among consumers.
- To study the business model of pay later services in india.
- To understand the advantages and of pay later services over credit cards and personal loans.
- To analyse in depth about the shifting trends of customers to online shopping from offline shopping due to pay later services.
- To learn the scope of BNPL Services in future.

Review of literature

The development of e-commerce boosting digital payment

The research provided by the JP Morgan (2019) related to e-commerce payment trends in India revealed that the increasing of internet penetration is the result of impressive annual growth of online shopping. The presence of technology provides a great opportunity in the current development of e-commerce with its transformation. The consequences of e-commerce have also created new trends in payment system to accommodate the payment needs in online shopping transaction.

According to Duke et al. (2019) Basically, pay later system has similar functions credit card that allows consumers to obtain product or service without directly pay for it. However, the significant difference between credit card and pay later is its form. They design Pay later not in the form of a card like credit card, but they shape it in a feature in digital processes both on applications or websites. Actually, the mechanism of pay later has been popping up for years in western countries, such as Australia and European countries (ASIC, 2018; Duke et al., 2019).

The study conducted by Yeboah & Owusu-Prempeh (2017) says that internal psychological factors regulated by natural flow of emotion stimulate a person to make an impulse buying decision. If a consumer is provided the opportunity and ease to make the payment at zero percent interest over a period, he may reveal impulsive purchase behaviour.

According to study conducted by Bezhovski (2016) digital payment is a significant aspect that cannot be ignored in digital business processes. Although

India has applied digital payments in many ways, pay later system is still quite new. To discuss the pay later issue, this study firstly tries to address this system.

Braga et al. (2013) conveyed that buying is a common habit of every-day every-day life and paying is a consequence of that habit. Meanwhile, the development of technology creates various alternative purchases and payments on e-commerce market. As the function of credit card, the existence of this pay later encourages changes in consumer behaviour in purchase decision making, especially on online shopping

According to Rose and Hudgins (2008), "Credit cards offer their holders access to either installment or non installment credit because the customer can charge a purchase on the account represented by the card and pay off the charge in one billing period, escaping any finance charge, or choose to pay off the purchase price gradually incurring a monthly finance charge based on an annual interest rate usually ranging from about 10 percent to 24 percent and sometimes more". Credit cards play an important role in consumer finances overcoming the bindings of liquidity constraints and interest rates

Research Methodology

Research methodology refers to giving idea or plan in which researcher is using various methods & process to accomplish research objectives or target. In other words we can also explain, it is a systematic & formal way to find out the solution for particular research problem. It is a science of learning how research is to be carried out. The meaning of Researcher is describing, explaining, and estimating all facts that are related to work.

In simple words, we can explain the research methodology is a combination of two words i.e.

- Re + Search
- Re means again & again and Search means find out something new on specific topic.

Data collection:-

1. **Primary Data**

This study based on Primary as well as secondary database. The analysis will be based on primary data. Primary data will be randomly from NCR Region. The methods for gathering the data will be personal Interview & Questionnaire.

2. **Secondary Data**

- Journals
- Magazines
- Websites
- Research publications

Sampling:-

Sampling Unit: NCR Region

Size of Sample: Approx 1000

Hypothesis: -

- There is no significant relationship between BNPL Services and impulsive behavior of consumer while online shopping.
- There is no awareness of BNPL Services among consumers inclined to do online shopping.
- There are no clear factors that can affect BNPL Services usage.
- There is no significant relationship between usage of BNPL Services and income level of consumer.
- There is no relation between change in consumer behavior and BNPL Services while online shopping.

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